



# Definitions, Good Practices, and Global Estimates on the Status of Social Protection for International Migrants

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## ABSTRACT:

This paper analyzes the issue of social protection for migrants by looking at formal and informal social protection provisions. In particular, it presents the latest global data on the social protection status on migrants, including undocumented migrants. The paper gives special attention to lower-income countries drawing upon recent studies from the Southern African Development Community (SADC). It finds that migrants in poorer countries have very limited access to formal social protection such as social security systems, and that the legal social protection frameworks are far from making benefits portable. Rather, migrants have to rely on informal social protection, and it is often migration itself that constitutes a form of social protection for migrants and their families. This means that making migration safer for low-income migrants is vital to allow migrants to fully benefit from their migration experience and to ultimately enhance their social protection.

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Keywords: International migration, social protection, portability, social security

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# 1 Introduction

Migration is a phenomenon that has been prevalent during most of the past centuries. During the course of history, its intensity varied across regions and times and its impact on countries has been substantial. According to the United Nations (UN), about 3 percent of the world's population—that is almost 191 million people—lived and worked outside their country of birth in 2005. This number is about 20 percent higher than the number of migrants in 1960 (UN 2006). Due to the underlying economic and demographic imbalances, this trend is likely to persist and calls for policies that effectively manage migration to the benefit of all—migrants, origin countries, and host countries.<sup>1</sup>

These substantial and increasing migration flows raise questions about the social protection for international migrants. The atypical lifecycle of migrants requires special provisions for their social protection to ensure that they can adequately manage their social risks. Migrants move between countries and hence between distinctively regulated labor markets and social protection systems, which creates specific vulnerabilities. Newly arrived migrants are in a particularly vulnerable position as they are away from their home community and have no access to important informal social networks and safety nets. In addition, the access to formal social services in the new host country is typically delayed until some months or years after arrival. At the same time, migrants might have contributed to formal social protection systems in their country of origin or former host countries, yet any rights to benefits from these systems might cease to exist or substantially diminish with the arrival in the new host country. Similarly, any contributions made to the social protection system of the new host country might be lost after the migrant departs because the associated social rights and benefits might not be portable across international borders. Finally, migrants—in particular low-skilled, undocumented migrants—face challenging labor market conditions in host countries related to cross-border recruitment, information asymmetries between employers and migrants, and visa requirements tied to specific employers.

The lack of access to social services and portability of social rights for migrants not only raises concerns about vulnerabilities of migrants, but also creates distortions in labor markets and in migration decisions. If migrants do not fully benefit from social security contributions or tax contributions because the associated benefits are not accessible or not portable, they might prefer to avoid contributions and work informally or underreport earnings. If migrants have made considerable contributions, but the acquired social rights are not portable, migrants' decision to return to the home country or to stay in the host country might be biased towards the latter because of the expected income loss due to, for example, forgone pension benefits. Lack of portability of social rights could therefore undermine return migration and deprive origin countries—many of them developing countries—of important beneficial development effects.<sup>2</sup>

This paper aims at filling important knowledge gaps on social protection for international migrants, in particular with regard to portability of social security rights. Holzmann, Koettl, and Chernetsky (2005) have made a first attempt to study the issue of portability

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<sup>1</sup> See Holzmann and Muenz (2004).

<sup>2</sup> See Koettl (2006).

in more detail, but the focus was largely on social protection for migrants in host countries with Bismarckian, social-security-type systems, like in continental Europe and the United States. The purpose of this paper is to build on existing knowledge and expand the research to social protection for migrants in other countries—in particular host countries with tax-financed social systems (Australia, New Zealand, and the United Kingdom) and middle and low-income host countries (focusing on so-called “south-south” migration). Additionally, much improved global data on the social protection status of migrants is presented. In particular, an effort was made to improve the estimates of undocumented migrants by incorporating results of country and regional studies to gain a better understanding on where undocumented migrants come from and where they go.

This paper is the outcome of a joint research project between the *Institute of Development Studies (IDS)* and the World Bank’s *Human Development Network – Social Protection and Labor (HDNSP)* unit. The research took place over the last two years and was partially funded by the U.K. government’s Department for International Development (DfID). While IDS was conducting surveys among migrants in Malawi, South Africa, and the United Kingdom, focusing on informal social protection tools, the World Bank compiled global data on the status of social protection for migrants and conducted legal analysis of social systems in the European Union (EU), East Asia and the Pacific (EAP), and the Southern African Development Community (SADC). This paper focuses on the World Bank’s part of the research and only briefly touches upon informal social protection.

The analysis shows that mostly migrants from and going to high-income countries enjoy access to and portability of social benefits, which translates into 23 percent of all migrants worldwide. The most disadvantaged migrants are those moving within low-income regions. In these regions, formal social protection provisions are less developed, and migration is characterized by high numbers of undocumented migrants. Bilateral social security agreements, which are relatively successful in developed countries and constitute a good practice model, cannot directly be applied to low-income regions with less developed social security systems, substantially lower coverage among natives and migrants, and limited administrative capacities. This research suggests that for south-south migrants, governments need to improve the legal position for migrants, implement immigration policies that acknowledge current migration patterns, and provide basic rights such access to justice or banking services.

The remaining part of the paper is structured as follows. The next section gives an overview on national and international practices regarding social security provision and portability. The main focus is on portability of pension benefits and to some extent of health care benefits. Subsequently, the paper presents global estimates on the social protection status of migrants and elaborates on the disadvantaged position of south-south migrants. This is followed by an assessment of the situation of south-south migrants in more detail and an explanation why a different approach is required to improve social protection in low and middle-income host countries. The final section discusses the results and provides policy implications.

## 2 Definition and Good Practices of Social Protection for Migrants

The following section provides a definition of social protection for international migrants and then discusses access to social services that various regions and countries provide to their immigrants. Subsequently, portability of social security rights across international borders will be discussed, with a focus on pensions and health care; problems, gaps, and good practices will be analyzed.

### 2.1 Definition

Social protection aims at reducing vulnerabilities and managing the economic risks of individuals, households, and communities. Social protection includes interventions and initiatives that support individuals, households, and communities in their efforts to prevent, mitigate, and overcome risks and vulnerabilities and enhance the social status and rights of the marginalized.<sup>3</sup> Thus, social protection covers formal (for example, social security and social assistance) and informal (for example, community transfers) mechanisms of social risk management, including migration *as* social protection, provided on the private, community, market, or public level, but also comprises political processes that empower and include marginalized groups with regard to access to social protection mechanisms.

Social protection for international migrants consists of four components: (i) access to formal social protection—that is, social security and social services—in host and origin countries; (ii) portability of vested social security rights or rights in the process of being vested between host and origin countries; (iii) labor market conditions for migrants in host countries and the recruitment process for migrants in the origin country; and (iv) access to informal networks to support migrants and their family members.

First, access to social security and services is crucial for migrants as it affects their level of vulnerability. Social services include health care benefits, long-term social security benefits like old-age and disability benefits, and short-term benefits like social assistance, maternity, and unemployment benefits, family allowances as well as public housing and education. Migrants can often not fully benefit from these social services, either because access is only granted some time after arrival, or because family members are spread across various countries. If migrants fail to generate sufficient income to cover all their needs—and in many cases the needs of their family left behind—their situation worsens significantly if they have no access to safety nets. At the same time, according to Borjas' selection model, countries with generous social protection systems could attract low-skilled immigrants through unintended self-selection, which is why many host countries follow policies of limited or delayed access.<sup>4</sup>

Second, portability of social security rights is important to migrants to avoid financial losses, but also to social security institutions out of concerns of actuarial fairness. Portability is the ability to preserve, maintain, and transfer vested social security rights or

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<sup>3</sup> This definition builds on Holzmann and Jorgensen (2000), Shepherd (2004), and Sabates-Wheeler and Devereux (2008).

<sup>4</sup> See Borjas (1987).

rights in the process of being vested, independent of nationality and country of residence.<sup>5</sup> Portability is particularly important for long-term benefits that have an explicit (like in the case of old-age pensions) or implicit (like in the case of health care) pre-saving element. In the absence of portability, migrants run the risk of financial loss when leaving their host or home country. For example, migrants contributing to an old-age pension scheme in their host country could lose part of their contributions and benefits when returning to their home country. Similarly, migrants contributing to health insurance in their host country could lose coverage when moving back to their origin country. They might find it difficult to find affordable health insurance in their origin country after return, in particular when close to or during retirement. By default, they could end up benefiting from the origin country's social system or health system, although they might have spent most of their productive life working abroad and contributing to a foreign social system. This could have important fiscal implications for social systems in origin countries.

It is important to distinguish portability from *exportability* of social benefits. In order to achieve full portability, some cooperation between the social security institutions of the origin and the host country is required in order to ensure a *joint* determination of benefit levels for a particular migrant. In the case of pensions, for example, this is done via a totalization of periods of contribution in both countries.<sup>6</sup> That is, social security contributions from both countries are taken into account. Exportability, on the other hand, simply requires that benefits accrued in one country are payable in another country. It requires no cooperation between institutions as the social security institution of one country alone determines the level of the benefit. Typically, if a benefit is exportable, but not portable, the level of the benefit is lower because contributions paid in other countries are not taken into account. In practice, it has to be acknowledged that some people may succeed in bypassing disadvantages caused by mere exportability, for example, by maintaining a residence status or bank account in the country paying out the benefit.

Third, labor market conditions are an essential component for the social protection for migrants. Migrants are often more disadvantaged in foreign labor markets relative to local labor market participants due to information asymmetries and differences in bargaining power between employers and employees. These information asymmetries also apply to native workers, but may be more severe for migrants who are less familiar with the labor market conditions and labor laws in the host country. Countries have created labor market policies to overcome failures in the labor market which strike a balance between the needs of employers and the need for protection of workers. These policies—enacted and implemented on the national level—regulate the workings of labor markets, that is, hiring and firing conditions, minimum wages, benefits, and other rights for workers. For migrants, though, who often are recruited in the origin country to work in the labor market of the host country, many of these regulations might be undermined because of substantial information gaps. These information gaps could be exploited by employers, recruiters, and middlemen to make unjustified demands towards migrants.<sup>7</sup> In

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<sup>5</sup> See Cruz (2004) and Holzmann, Koettl, and Chernetsky (2005).

<sup>6</sup> The next section elaborates on totalization.

<sup>7</sup> For example, the promise of high earnings may be used to extract unjustified fees or to offer unfavorable work contracts.



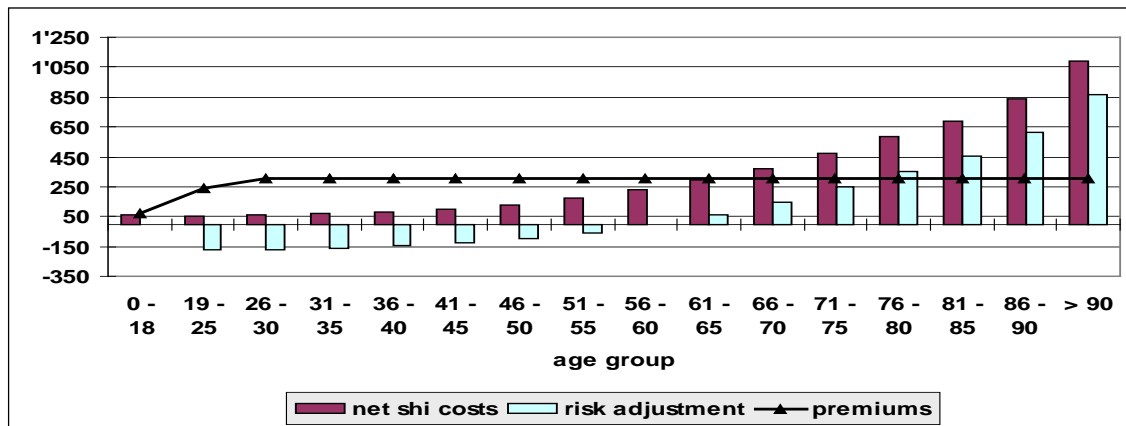
addition, if work permits and visas are tied to work contracts and migrants are facing limitations to choose their employer freely, the bargaining power is tilted toward the employer, creating possibilities for exploitation and abuse. Finally, if immigration policies are too restrictive vis-à-vis the demand for foreign labor, employers and migrants face incentives to meet in the informal labor market and the labor market for undocumented migrants, which is not subject to any regulations and might provide weak or only informal social protection for migrants.

Informal social protection—the final component—means that migrants manage their risks by relying on multiple informal institutions and networks that act as informal social safety nets. These informal insurance networks and groups are an important complement to formal social protection tools and are of particularly importance to undocumented migrants. For them, these networks are often the only source of support in times of crisis, but also the only source of information on the host country and access to indispensable (social) services.

This paper focuses primarily on access to formal social services for migrants and portability of acquired social benefits across international borders. The social benefits of primary interest are long-term benefits such as pensions, which are either based on social security contributions or income tax contributions. For social security systems, contribution payments give a right to benefits once the eligibility conditions are met, and benefits are being paid over a protracted period of time. For tax-financed pension systems, eligibility criteria are typically based on residence requirements and minimum age. Some consideration is also given to health care, which usually does not require long waiting times before eligibility is met. Yet, also health care is a long-term benefit in the sense that it has a pre-saving element: younger contributors are typically net-contributors, paying more into the system than they benefit from; older contributors, on the other hand, pay less than they receive in benefits (due to high demand for health services when old). For example, Figure 1 below depicts average net costs, risk-adjustment payments, and premiums for Swiss males over age groups in 2006, which clearly shows the pre-saving element for younger contributors. If these benefits are not portable, the contributor and the social security institutions on the origin and host country are affected (either gain or lose) by migration.

In order to analyze the status of social protection for migrants, the following section will first provide a brief overview of social protection provisions in various regions and subsequently elaborate on pensions and health care benefits in more detail.

**Figure 1: Net costs, risk adjustment payments, and premiums per month per male member, averages for Switzerland 2006**



Source: Figure 3.1 in World Bank (2009).

## 2.2 Social protection provisions for international migrants at the national level: access and exportability

Formal social protection for international migrants is mostly a matter of national legislation. The host country regulates what benefits migrants have access to and under what conditions. Additionally, it defines what benefits can be received after leaving the country. The European Union (EU) has the most advanced and complex system of portability of social benefits. EU nationals enjoy full non-discriminatory access to all and portability of most social benefits. With respect to third-country nationals, equality of treatment is granted after a certain period of residence (no later than after five years according to EU Directive 109/2003). This means that even third-country nationals enjoy full access to and portability of social benefits within the EU no later than after five years of residence. Additionally, EU nationals can export their pensions to literally any country in the world. The coverage of health care outside the EU is much less developed.

The North American social security systems also include provisions for international migrants. Canada allows access to the tax-financed universal pension, health care benefits, and the earnings-based pension to all residents, including most migrants.<sup>8</sup> Exportability of the pension, though, is limited to persons who have resided in Canada for at least 20 years. Migrants in the United States need at least 40 quarters of coverage (10 years) to the U.S. social security system before they are entitled to a pension benefit. Once migrants qualify for the pension benefit, the pension is exportable to most countries in the world. Health care benefits, like the U.S. MediCare benefit, do not provide coverage abroad.<sup>9</sup>

<sup>8</sup> Seasonal agricultural migrant workers are excluded. See United States Social Security Administration (U.S. SSA, 2007).

<sup>9</sup> The Canadian health plan covers emergency services abroad and reimburses costs up to the amount what the same treatment would have cost in the home province.

All migrants in New Zealand have immediate access to education, accident compensation, public health services, and in some cases emergency benefits for special hardship. After two years of residence, migrants gain access to services like housing assistance, unemployment benefits, sickness benefits, and interest free student loans for tertiary education. The public superannuation benefit, which is set at 66 percent of the New Zealand average wage, can be claimed by all residents after age 65, but is only portable to countries with which New Zealand has concluded a bilateral social security agreement. Special provisions exist for Pacific Islanders whose New Zealand superannuation is exportable to their origin country even in the absence of a bilateral agreement.<sup>10</sup> Thus, the benefits are portable to countries that have concluded a bilateral social security agreement and are exportable for Pacific Islanders.

In Australia, access to social services differs for temporary and permanent migrants. Temporary migrants have no immediate access to social security benefits and public health services. However, upon leaving Australia, they get refunded for the contribution they were required to pay. Permanent migrants have access to some benefits immediately and to the full range of social services after 104 weeks of residence. Similar to Canada, Australia has a dual social security system, including a means-tested national pension and a mandatory, earnings-based occupational pension. The latter is a tax deductible saving scheme where employer and employee each contribute 9 percent of the salary to a savings account. The national pension can be received after 10 years of continuous residence in the country and is payable abroad to one of the 18 countries with which Australia has concluded a bilateral social security agreement. The mandatory occupational pension, which was only introduced in 1993, is paid as a lump sum based on the total contributions made to the system, taking into account interests and administrative fees after reaching the age of 55. It can be cashed in earlier and also be taken abroad; however in this case, it is taxed by the Australian government which provides strong disincentives for this option.<sup>11</sup>

The Gulf Cooperation Council (GCC) countries in the Middle East are special in the sense that these countries do not grant immigrants any access to their social security systems.<sup>12</sup> At the same time, migrants (and their employers) do not have to contribute to the system either (at least not directly), so the issue of portability of benefits and lost contributions is not relevant. This leaves the migrant with the responsibility to provide for certain benefits like old-age or disability pensions on his or her own. If the migrant's origin country is sufficiently developed, this could happen in the form of voluntary contributions to the public system or by buying financial products from the private insurance market. Regarding health care, the visa sponsor of the worker is obliged by law to provide health insurance to the migrant, but it is unclear how well these provisions work.

Looking across regions, In middle-income countries, much less is known about provisions in national law on the access to social services and the portability and exportability of benefits for migrants has been much less studied in low and middle-

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<sup>10</sup> See Woolford (2009).

<sup>11</sup> See Woolford (2009).

<sup>12</sup> The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

income countries. Some middle-income countries of the Caribbean, Eastern Europe, Latin America, and North Africa have well-developed social security systems. Some of the countries in these regions host significant numbers of migrants, like, for example, Argentina, Belarus, Russia, Turkey, Ukraine, and Venezuela. The social protection provisions for migrants in these countries are likely to be similar to those of high-income countries with contribution-based social security systems. Still, as Rofman, Lucchetti and Ourens (2008) point out for Latin American countries, coverage can vary substantially across regions. The coverage usually decreases with the level of income and the status of migrants in this respect is unclear.

The low-income regions of Central Asia, South Asia, South-East Asia, and Sub-Saharan Africa include various major host countries like Burkina Faso, Cote d'Ivoire, India, Kazakhstan, Pakistan, South Africa, Tanzania, Thailand, and Uzbekistan; yet, even less is known about the social protection status of their immigrants. Many of these host countries have weak social security systems that cover only a small portion of the labor force. A large part of migrants are undocumented and participate in the informal sector, which raises concerns about the social protection status of these migrants. Most formal social protection is provided through tax-financed social assistance and migrants seem by and large to be excluded from these benefits.<sup>13</sup>

On the international level, legal provisions relating to social protection for international migrants are scarce, with the exception of bilateral (and multilateral) social security agreements. These currently constitute the best practice on how to coordinate access to and portability of social benefits for migrants. Efforts to regulate social protection for migrants on a global level, though, are scarce.<sup>14</sup>

### ***2.3 Social protection provisions for international migrants at the bilateral and multilateral level: portability***

Bilateral social security agreements usually include provisions on nondiscrimination between nationals and migrants with respect to social security and rules of cooperation between the social security institutions of the signatory countries. The latter coordinate the totalization of periods of contribution that migrants accrue in the two or more countries and regulate the transfer and payment of acquired social security entitlements. Thus, these agreements usually include totalization for the purpose of vesting and benefit calculation. That is, they determine the benefit based on the contribution periods of *all* countries in which the person has worked in, and apportionment rules as well as rules

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<sup>13</sup> The shortcomings of social protection for migrants in low-income regions are discussed in more details below.

<sup>14</sup> The International Labour Organization (ILO) and the UN have adopted a series of conventions concerning social protection for international migrants, most notably the International Convention on the Protection of the Rights of Migrant Workers and Members of their Families. The Convention, however had limited success, it was adopted by the UN General Assembly in 1990, but came into force only after 13 years, with just 22 ratifying states. Similarly, the ILO adopted a number of conventions dealing with nondiscrimination and equal opportunity for migrants in their host countries, all of which suffered from weak support in terms of ratification by member states. ILO Convention 157, for example, aims at establishing a global regime of portability of benefits, but has only been ratified by three countries.

regulating the disbursement of benefits.<sup>15</sup> Most agreements refer to long-term benefits like old-age, disability, and survivor pensions and other annuities. Health care benefits are to a much lesser extent subject to social security agreements. Also, purely tax-funded—as opposed to contributory—benefits like social assistance or maternity allowances are usually explicitly exempt from portability.

Social security agreements are also arranged on the multilateral level, like in the European Union, Caribbean Community (CARICOM), Southern Common Market (MERCOSUR), and, in the future, even between some Latin American and European countries through the Ibero-American Social Security Convention.

EU regulations related to the portability of social security benefits are the most advanced example of multilateral arrangements. EU Regulations 883/2004 is an extensive legal provision that ensures far-reaching portability of social security entitlements within the EU. When moving within the EU, even third-country migrant workers enjoy the same rights as EU nationals with respect to the portability of social security and benefit entitlements after five years of residence within the EU. The EU is also leading efforts to enhance social security cooperation within the Euro-Mediterranean Partnership (EMP).<sup>16</sup> Social security agreements with Morocco, Tunisia and Algeria have been concluded under this initiative.

Outside this multilateral framework, many EU member states have also concluded bilateral social security agreements with non-EU countries and have created an extensive global network of portability arrangements. The UK, which is receiving and sending large numbers of migrants, is a good example of an EU country having extensive national, bilateral and multilateral legislation in place; details are given in Box 1.

In the Latin American and Caribbean region (LAC), some migrants can take advantage of social security provisions that have been established in the multilateral frameworks of CARICOM and MERCOSUR. The MERCOSUR agreement came into force only in 2004, while the CARICOM Agreement on Social Security (CASS) was concluded in 1996.<sup>17</sup> To the extent that these countries have social security provisions, accrued benefits are made portable within the regions, though limitations apply. The MERCOSUR agreement came into force only in 2004, while the CARICOM Agreement on Social Security (CASS) was concluded in 1996.<sup>18</sup> Forteza (2008), however, mentions that the CASS has had limited impact so far, as the number of beneficiaries is very small. Possible reasons are insufficient information among potential claimants, the fact that the agreement applies only when workers have not completed the vesting periods in any of the involved countries, and the different requirements of age and periods of contributions to access to the benefits in member states.

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<sup>15</sup> All countries means all that are part of the agreements.

<sup>16</sup> Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey, and the Palestinian Authorities.

<sup>17</sup> Suriname is not included in the agreement as it has an incomparable social security system.

<sup>18</sup> Suriname is not included in the agreement as it has an incomparable social security system.

### **Box 1 The UK Social Security System and Migration<sup>19</sup>**

The UK is a major immigrant receiving country in the EU hosting about 4.8 million foreign nationals. Additionally, it has about 4.2 million citizens residing outside the UK<sup>20</sup>. There are roughly four different categories of countries with respect social security coverage and portability arrangements: the countries of the European Economic Area (EEA), countries having concluded a reciprocal social security agreement (SSA) with the UK, countries which have a bilateral SSA with the UK that is subject to several restrictions and all other countries. The most comprehensive system of handling portability social security and health care benefits is among EEA countries. This means that within the EEA most contributory benefits (mostly long-term benefits such as public pensions and survivor benefits) are fully portable and thus paid as if the person lived in the UK. Further, all periods of contribution that had been paid in various EEA countries (and countries with a bilateral SSA) are included for totalization and calculating the replacement rate for the pension. People coming from an EEA country to the UK have access to all benefits subject to the same eligibility as UK residents.

The UK has concluded several reciprocal SSAs with non-EEA countries which grant migrants similar privileges as to migrants within the EEA. These countries are Barbados, Bermuda, Bosnia-Herzegovina, Croatia, FYROM, Israel, Jamaica, Jersey and Guernsey, Mauritius, Serbia and Montenegro, Philippines, Turkey and the USA. If a person goes to one of these countries to live there she can receive all of her state pension, bereavement and widow benefits.

Moreover, the UK has SSAs subject to certain restrictions with Canada, Japan, New Zealand and South Korea. All of these but New Zealand are primarily Double Contribution Conventions (DCC) which also include several features of reciprocal SSAs as the ones mentioned above. The agreement with Australia ended in 2001 and people who worked until that date are subject to special provisions. The restricted agreements are similar to the reciprocal agreements mentioned above with respect to totalization rules. The restriction applies to the portability of the benefits. The state pension and some other benefits are usually indexed over time—either by inflation or wage growth—but for people emigrating to the respective countries the benefits will only be paid out at a frozen rate determined by the time the person had left the UK. This means that these benefits will not have a so-called ‘uprating’ and are consequently, despite of being exportable, not fully portable.

People going to countries which do not have an agreement with the UK are able to claim benefits - mainly pension and bereavement benefits - for each year they contributed to the UK social security system but the same rule of no upratings applies and there is obviously no consensus on double contributions. Therefore, the pension and bereavement benefits are, exportable but not portable.

The pension is obviously the most important benefit in terms of scope that is paid to recipients abroad. In 2006, the UK had an average caseload for state pensions of 11,671,137 from which 1,041,977 (or 9%) were located outside the UK. Of these pensioners 32% lived in EEA countries, 17% lived in countries having concluded a bilateral social security agreement with the UK, 19% were in Canada, New Zealand, Japan and South Korea, another 23% in Australia. Cases in countries where no agreements exist, amount to 8%.

Altogether, the UK is certainly among the nations having recognized the need to manage portability given rising international migration flows. However, there are still many countries sending large numbers of migrants to the UK, e.g. India and South Africa, which have no social security agreement with the UK. Policy makers of both sides may want to look into options to improve social protection for these migrants.

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<sup>19</sup> See Avato (2008b).

<sup>20</sup> The numbers are from the year 2000.

More recently, the Ibero-American Social Security Convention has been signed which includes 19 LAC countries<sup>21</sup> as well as Andorra, Portugal, and Spain. The arrangement will mostly apply to contributory systems of social security, including disability benefits, old age pensions, widows' pension, and workers' compensation. The Convention is envisioned to provide far-reaching arrangements on portability between the signatory countries.<sup>22</sup>

The degree to which countries coordinate the portability of social security benefits via bilateral agreements varies greatly across regions. For example, the EU and other Western European countries have concluded 1,628 bilateral social security arrangements—either through bilateral or multilateral agreements—of which 1,034 are intra-EU arrangements (see Table 1 in next chapter). East Asian and Pacific (EAP) countries, on the other hand, have concluded only 181 such arrangements, although they provided the highest share (22 percent) of all migrants worldwide as of 2000. South Asian countries only concluded three arrangements, and even though Sub-Saharan African countries have concluded 177 arrangements it should be noted that a large number (75) is created by Reunion, which is counted as part of France in all French agreements.

The next section discusses what these arrangements include and what issues they raise.

### **2.3.1 Pensions**

Pensions (old-age, disability, and survivor pensions) are currently the most portable benefits. Even in the absence of bilateral social security agreements, most migrant-receiving countries have provisions in their national law that allows the export of pensions, though for export to countries without an existing bilateral agreement restrictions may apply. Italy for example, allows all individuals regardless of nationality and country of residence to claim pensions when retirement age is reached given that the minimum contribution period was completed (currently 20 years). Nevertheless, the difference between pensions claimed under existing agreements versus just national legislation can be substantial. In the case of Italy, 84 percent of pension applicants from abroad are covered by social security agreements, which comprise 67 percent of pensions paid abroad (Avato 2008b). Thus, only 16 percent make use of the national legislation on portability.

Also, some countries like Germany or the UK may apply reduction rates if the pension is paid to nationals or residents of countries with no bilateral social security agreement and who are residing outside their former host country. For example, the UK does not index pensions for individuals who moved to a country where no bilateral agreement has been concluded so that the pension amount is not adjusted over time (Avato 2008a). Further, the U.S. does not allow the export of US pensions to certain countries.

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<sup>21</sup> Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Paraguay, Uruguay and Venezuela

<sup>22</sup> See Online Pioneer (2007). For a copy of the convention in Spanish language, see Organización Iberoamericana de Seguridad Social (OISS).

Despite the possibility in many countries to export pensions to other countries, there are substantial losses in the absence of bilateral social security agreements. First of all, most agreements prevent double coverage, which is mostly the case for migrants who are sent to another country by a company that is located in the home country. Without a bilateral agreement, the company would have to pay contributions in both the home and the host country. For example, for migrants from India to the US the double contribution causes significant costs to Indian employers. Indian employers often pay their employee's share on top of their own share. The employee usually stays in the US only for a shorter period and receives no benefits from the US in return. The India-US CEO Forum in 2006 estimated these costs to amount US\$ 500 million.<sup>23</sup> Due to the likely increasing emigration of Indian professionals the Indian government has a great interest in negotiating social security agreements with the US but also with European countries (so far only Belgium) and is pushing for an agenda with the respective countries.

Bilateral agreements, on the other hand, prevent *vesting losses* by allowing totalization of periods of contribution to determine a migrant's entitlement for a pension.<sup>24</sup> Vesting losses occur when the individual leaves a country before completing the minimum years of contributions in the country required to receive the benefit. For example, a Mexican migrant in the United States who has worked nine years in each country is not entitled to a pension in either country because both countries require a minimum of 10 years of contributions.<sup>25</sup> If the two countries had signed a bilateral social security agreement, the migrant could combine the contribution periods (18 years total) and claim a pension in both countries.<sup>26</sup> This concept applies to practically all bilateral agreements, although the minimum requirements vary and depend on the national legislation.

Moreover, totalization prevents final *wage losses* and *back-loading losses*. The former occur when pension benefits are based on the last salaries. In that case, early leavers will have a pension computed on the salary they earned when they left the country, which is usually lower than the actual last salary the migrant might earn at retirement age back in the origin country. Back-loading losses occur when pension schemes have increasing accrual rates. This means that benefit accrual rates at first grow slowly, and faster only during later years—again to the disadvantage of early leavers. Bilateral agreements ensure that the replacement rate is calculated after the periods of contribution have been totalized. The benefit formula and indexation are adjusted to avoid wage and back-loading losses.

As much as bilateral agreements prevent migrants from the losses, they also cause an administrative challenge to both the host and the home country. Since most bilateral agreements are the result of a complex negotiation process between states—a process that has to pay tribute to the specifics of the national social security laws of the states involved—bilateral agreements are diverse, each one containing differing regulations and setting separate standards. This practice necessarily results in a highly complex set of

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<sup>23</sup> Asher (2008).

<sup>24</sup> This classification of losses follows Forteza (2008).

<sup>25</sup> See Holzmann et al. (2005).

<sup>26</sup> Mexico and the United States have, in fact, signed a bilateral social security agreement, but so far it has not been ratified by either Congress.



provisions on the portability of social security benefits. Within the EU, in contrast, all bilateral arrangements are based on a single legal source, namely EU Regulation 883/2004. Such a multilateral approach has the advantage of generating common standards and regulations avoiding complex structures by multiple bilateral agreements that may discriminate between different migrant groups and cause excessive administrative burden. Also, having a blueprint for bilateral agreements may be useful; the Euro-Mediterranean agreements between the EU and Algeria, Morocco and Tunisia could serve as an example.

Other issues that have to be considered in the context of portability—and in the absence or presence of bilateral agreements—refer to the fact that pensions need to be paid via international money transfers. Even though, the international payment systems between many countries have improved immensely in recent years, money transfers may still cause disadvantages to recipients as the transfers are subject to fees and fluctuations in the exchange rates, which can be particularly high in countries with less developed financial systems. Finally, it can be problematic for migrants in particular to claim their entitlements.<sup>27</sup> For example, in the U.S. unclaimed contributions are estimated to total US\$400 billion.<sup>28</sup> Many times, these contributions are made by unauthorized workers using falsified social security numbers. These workers are, in fact, entitled to benefits independent of residence and work permit status, but due to the informal nature of their job they might have difficulties providing proof of their work history.

Although social security agreements are currently the best practice, there are alternatives to deal with portability issues. In some countries, like, for example, Hong-Kong (China), short-term migrant workers may opt out of the pension system altogether. In GCC countries, migrants are excluded from the pension system. In both of these situations, the migrant worker should continue to contribute into the pension system of the home country, or make provisions for a private pension plan. The Philippines, for example, address this by offering emigrants insurance in their home country.<sup>29</sup>

Such a legal setup gives the migrant a certain amount of choice in avoiding the loss of contributions, but there are also drawbacks. First, the option to insure in the home country depends on whether public institution and the financial market are sufficiently well developed in the origin country. Even if public or private plans are available in the origin country, the employer in the host country is not obliged to contribute. Also, it should be noted that having no access to the public pension system often means having no access to public health services.

From the perspective of portability, defined contribution (DC) systems seem more amenable.<sup>30</sup> These DC plans are saving plans that accumulate contributions by the employee and employer in the beneficiary's account. At retirement, the accumulated amount is partially or fully transformed into an annuity, taking into account the cohort-specific survival probability and the associated future interest stream. Such defined

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<sup>27</sup> Note that this can also be a problem of non-migrants.

<sup>28</sup> Holzmann et al. (2005)

<sup>29</sup> Agunias and Ruiz (2007).

<sup>30</sup> The drawback is that DC schemes often place more risk on the worker. A more detailed discussion on DC versus defined-benefit (DB) systems, though, is beyond the scope of this paper.

contribution plans can either be fully funded (FDC) or unfunded (nonfinancial or notional, NDC). Both FDCs and NDCs could be made portable without too many efforts.<sup>31</sup> The Australian fully funded second tier pension system is a good example in this respect—though pensions are taxed in Australia when taken abroad.

Even if countries move towards DC-type pension systems allowing for better portability a certain degree of coordination among countries is still required. For example, the tax treatment of contributions and benefits in the countries involved should follow the same principle.<sup>32</sup> Further, converting accumulated amounts into annuities requires a sufficiently developed and stable financial market. Also, rules need to be found how to deal with the changes in the risk pool for annuitization when switching from one country to another (e.g. survival probabilities may be different). Finally, redistribution elements differ in many countries; for example, how the systems deal with noncontributory periods such as unemployment or maternity, or guaranteed minimum pensions. These issues need further arrangements if made portable.

Summing up, bilateral agreements are currently the best practice to make pensions portable. Moving more towards DC-type pension plans—public or private—may substantially improve portability but will not replace bilateral coordination.

### **2.3.2 Health Care**

Bilateral agreements on the portability of health care benefits have hardly been concluded in the past. Exceptions are Turkey and the successor states of the Former Yugoslavia with their agreements with Austria and Germany, and the Moroccan-German agreement. In the case of the Turkish-Austrian agreement, a Turkish retired migrant who has worked in Austria and never been employed in Turkey is covered by the Austrian health system. The migrant nevertheless enjoys advanced access to the Turkish health system and receives medical treatment in Turkey like a Turkish retiree. Any additional costs that incur to the Turkish system are reimbursed by the Austrian system, via direct transfers between the two systems.<sup>33</sup>

In the absence of a bilateral agreement returning migrants suffer coverage losses after return to the origin country. That is, migrants lose long-standing coverage in one country and have to look for new coverage in another country. Because of age and existing pre-conditions, they might not be able to find new coverage or only expensive coverage at significantly increased rates. This is especially the case for retired migrants who do not qualify for the home country pension and thus the health care provisions. In this sense absence of totalization with regard to health care benefits is closely related to the absence of totalization with regard to pension benefits. For example if a retired Mexican migrant has only worked a short period of time in Austria and receives a pension from Mexico, the migrant is not entitled to Austrian health care benefits. A totalization agreement between the countries would avoid such coverage loss. Further, in the case of a retired Moroccan migrant, receiving a French pension in Morocco, the migrant has to cover all

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<sup>31</sup> See Holzmann et al. (2005)

<sup>32</sup> Harmonization of tax treatment is an issue that equally affects DC and DB schemes alike.

<sup>33</sup> Holzmann et al (2005).

medical expenses in Morocco; moreover, this migrant has to continue to contribute to the compulsory French health care system.<sup>34</sup>

In some host countries in Europe it is possible to claim reimbursements for medical expenses that occurred abroad. In the case that a migrant continues to contribute to the Austrian health system although the migrant has left Austria, the migrant gets reimbursed a certain amount of health expenses abroad. For example, the Austrian health insurance funds reimburse any costs up to 80 percent of the price of what the health insurance fund would have paid for same treatment to an Austrian provider. Since these benchmark prices are heavily subsidized, the migrant usually has to cover a substantial part of the costs.

The UK has several agreements with countries that allow UK residents to have their expenses for emergency care and hospital treatment reimbursed by NHS, but emergency care is not sufficient for permanently returned migrants.<sup>35</sup> In the United States, the SSA does not reimburse any medical costs outside the country. Similar to France, returned, retired migrants who receive a U.S. pension have to continue to contribute to Medicare, although they do not benefit from it. Given the age at retirement and the associated risk of falling sick, private insurance or paying out-of-pocket would be prohibitively expensive.

On the other hand, many migrants seem to travel between their former host and home country to receive medical treatment in the former host country. In the case of the United States, returned migrants could return to the United States for medical treatment and would still be covered. In the Pacific Islands, many former migrants who have formerly resided and worked in New Zealand travel back to their host country for medical treatment. This is because once the migrants received permanent resident status they also receive a returning resident visa and have access to the public health.<sup>36</sup> Nevertheless, many returned, retired migrants might not be covered by any health insurance, which is why Mexico started to offer health insurance specifically for Mexican migrants in the United States to ensure that they and their families are covered.<sup>37</sup>

Another problem arising from people moving between health systems is related to actuarial considerations and the issue of net contributors versus net beneficiaries. If a migrant moves relatively young (and healthy) to the host country and works there for often many years, the migrant can be considered as a net contributor to the health care system. Once back home the migrant may only contribute for some more years and then become a net beneficiary in the home country. Particularly in North-South migration, where migrant flows are asymmetric, this imposes a burden on the sending country's health care system—potentially even in the presence of bilateral agreements. The mentioned insurance sold by Mexico to its US expatriates is one option to mitigate the

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<sup>34</sup> Ibid.

<sup>35</sup> These countries include Armenia, Azerbaijan, Bosnia, Croatia, Georgia, Gibraltar, Serbia and Montenegro, Kazakhstan, Kirgizstan, Macedonia, Moldova, New Zealand, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and residents of Anguilla, Australia, Barbados, British Virgin Islands, Channel Islands, Falkland Islands, Iceland, Isle of Man, Montserrat, St. Helena, Turks and Caicos Islands.

<sup>36</sup> Woolford (2009)

<sup>37</sup> See Holzmann et al (2005)

problem as it generates some contributions from returning migrants, who would otherwise enjoy cost-free first-level medical treatment. Similarly, it gives returning migrants a choice to obtain more comprehensive medical services through the public health insurance in Mexico, which in particular retired returnees would otherwise not have in the private insurance sector because of their age.

In general, bilateral agreements on the portability of health care benefits seem to be difficult to achieve. Also, the main components of health insurance such as risk-pooling and prefunding are less transparent and redistributive elements are more persistent. Migrants within the EU enjoy the highest standards of portability of health care benefits and the EU could serve as an example in this regard. Employees as well as retired people are always covered by their country of residence, causing no particular burden for health care system due to the rather symmetric migration. The only exception is if the person never contributed in the country of retirement. In this case, the country providing the services gets compensated by the state which pays the pension. The compensation is paid annually and reflects the average cost of a pensioner in that country.<sup>38</sup>

A way forward would be to find models to make insurance based health care benefits portable without causing disadvantages for one party. Such models could serve as a basis to further extend provisions for portability across borders. Baumann et al. (2008) recently presented research on this issue modeling transferable provisions in health insurance where at least low risk individuals can switch insurances without financial loss and without leaving the pool of insured people that they leave in a worse condition. The basic idea is to decompose the aging provisions into two components that is a lifetime contract with a level premium based on a guaranteed-renewability arrangement complemented by an annuity that smoothes the premium profile. Under this model part of the provisions—the capital stock accumulated of the annuity of a low risk—are transferable to other insurers. It is not clear however, how the level of the annuity will be defined and how low and high risk people can sufficiently be distinguished. Altogether, the model is not readily transferable to the international context where the insured also switches the country; the main problem would be that it actually excludes high risk people from switching which could for example be an older or retiring return migrant. However, the model provides a significant starting point to further study the issue.

To sum up, the provision of social protection varies largely across countries and regions. Bilateral social security agreements seem to be the current best practice to make benefits portable between countries; however they are mostly applied to the pensions only. The following chapter will thus focus on portability of pension benefits and assess the scope of portability arrangements within global migrant flows.

### **3 Global estimates on the social protection status of migrants**

This section presents global estimates on the social protection status of international migrants. Specifically, the section presents estimates on (i) how many legal migrants worldwide move under the protection of a bilateral or multilateral social security

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<sup>38</sup> For more details, see Holzmann et al. (2005)

arrangement between their origin and host country; (ii) how many legal migrants move outside such arrangements, but have access to social security and services in the host country; (iii) how many legal migrants are excluded from social security and services in the host country; and (iv) how many migrants move undocumented.

The section first addresses the methodology of the analysis and the data sources and then proceeds to present the global estimates.

### **3.1 Methodology**

In order to analyze portability of pension benefits among countries it is important to classify the categories in terms of social security coverage that each migrant moves under. Following Holzmann et al. (2005) all bilateral migrant stocks are categorized into one of four regimes. *Regime I* includes all legal migrants enjoying indiscriminate access to social services—in particular social security benefits—in their host country. In addition, home and host country have concluded a bilateral or multilateral social security arrangement guaranteeing that benefits are payable overseas (*exportability* of benefits), but also the social security institutions of both countries jointly determine eligibility for and level of the benefit. This means in particular that periods of contribution to old-age pensions in the two countries are added in order to determine if someone *qualifies* for a benefit and to determine the amount of the benefit (*totalization*). Regime I is the most favorable regime in terms of formal social protection for migrants.

*Regime II* includes all legal migrants who have access to social services and social security in their host country in the absence of a bilateral arrangement between their host and origin country. In such cases, the national social law of the host country alone determines to what extent benefits are payable overseas, which might result in limited exportability of benefits. Totalization of periods of contribution is not possible, so acquired social security rights are not fully portable. In addition, in the absence of a bilateral arrangement, access to social services for migrants might be limited (non-discrimination is not guaranteed).

*Regime III* includes all legal migrants who do not have access to social security in their host country—either because they are excluded or because there is no social security system in their host country. This is the case for most of the large migrant-receiving countries of the Gulf Cooperation Council (GCC) and some African countries. Access to other social services, like education and health care, might be granted. Despite the limited access to social security, an advantage of Regime III is that it does not require migrants to contribute to long-term benefits like old-age pensions, and hence they do not run the risk of losing benefits and rights associated with mandatory contributions.

*Regime IV*, finally, includes all undocumented migrants who arguably face the greatest challenge regarding their social protection. They have very limited access to social services and social security and are subject to unchecked and unregulated labor market conditions.

The global estimates on the status of social protection for international migrants are based on data from the Development Research Centre on Migration, Globalisation, and Poverty

(Migration DRC).<sup>39</sup> This data gives a complete estimate of global bilateral migrant stocks—that is, the data estimate how many migrants by country of origin live in each host country, totaling up to over 50,000 country by country estimates. This data is based on the 2000/01 census round, yet has some shortcomings with regard to migrants not captured by censuses, in particular undocumented migrants. Since undocumented migrants are in an especially precarious situation regarding social protection, this paper made an effort to complement the data provided by Migration DRC by estimating the number of migrants not captured by censuses and undocumented migrants—thus the Regime IV migrants.

Due to the scarce information available on undocumented migrants, assumptions needed to be made based on available country, regional, and global estimates on undocumented migrants from the existing literature. The global stock of undocumented migrants was assumed to be 32.5 million in 2000, given the estimates of 30-35 million irregular migrants according to the ILO (2002).<sup>40</sup> Further assumptions were made regarding migrants not captured by censuses on a global level. Subsequently, the numbers were disaggregated according to relative sizes of bilateral stocks. Where possible, regional and country information on undocumented migrants and migrants not captured by the census was incorporated. For example, estimates on undocumented migrants in, the United States, Russia, South Africa, Thailand and Singapore were incorporated. Also, it was assumed that there were no undocumented migrants moving between the EU15 and EEA countries. Most assumptions on country level are based on the most conservative estimate available, and the resulting estimates therefore represent minimum estimates. Also, in cases where countries grant freedom of movement of labor among them, no undocumented migration was assumed, as in the case of intra-EU migration. The final estimates represent the best estimate possible, though the level of accuracy is strongest for global and regional estimates, and decreases at country level.

### **3.2 Results**

As a result of the methodology just described, the estimates show a higher global number of migrants compared to the Migration DRC data, resulting in almost 187 million migrants in 2000/01 worldwide (see Table 1).<sup>41</sup> The region of Eastern Europe and Central Asia (ECA) is supplying the highest share of migrants, particularly as a consequence of the break-up of the Soviet Union. The second biggest sender is the EU-27 and other Europe—also due to the high mobility and an integrated labor market within the region. In all regions—except in LAC—intra-regional migrants constitute the highest share of all migrants. North America, followed by the EU-27 and other Europe, are the biggest receiving regions.

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<sup>39</sup> See Migration DRC (2007).

<sup>40</sup> See Abella (2002) and Vittin-Balima (2002) in the ILO Labor Education volume.

<sup>41</sup> The Migration DRC data, the basis of this report's estimates, estimates about 175 million.

**Table 1 Global migrant stock estimates and bilateral portability arrangement by origin and host region (2000)**

| Origin region                                                                                         | Host region           |                                 |                        |                             |                              |                   |                   |                   | Total              | % global stock |
|-------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|------------------------|-----------------------------|------------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
|                                                                                                       | East Asia and Pacific | Eastern Europe and Central Asia | EU-27 and other Europe | Latin America and Caribbean | Middle East and North Africa | North America     | South Asia        | Sub-Sahara Africa |                    |                |
| East Asia and Pacific                                                                                 | 10,451,218            | 261,715                         | 2,397,524              | 210,760                     | 1,232,753                    | 7,960,615         | 483,914           | 214,378           | <b>23,212,877</b>  | 12%            |
| Eastern Europe and Central Asia                                                                       | 585,669               | 27,453,705                      | 8,437,718              | 98,641                      | 1,906,963                    | 1,618,709         | 572,588           | 842,734           | <b>41,516,727</b>  | 22%            |
| EU-27 and other Europe                                                                                | 2,611,118             | 2,531,940                       | 13,106,560             | 1,253,781                   | 1,118,468                    | 7,012,820         | 387,166           | 859,007           | <b>28,880,860</b>  | 15%            |
| Latin America and Caribbean                                                                           | 599,267               | 317,860                         | 2,635,291              | 3,746,076                   | 473,456                      | 19,881,165        | 394,517           | 296,351           | <b>28,343,983</b>  | 15%            |
| Middle East and North Africa                                                                          | 373,298               | 308,571                         | 5,322,781              | 90,602                      | 7,196,066                    | 1,395,416         | 244,863           | 590,254           | <b>15,521,851</b>  | 8%             |
| North America                                                                                         | 426,299               | 65,989                          | 806,774                | 754,313                     | 167,834                      | 1,250,399         | 53,953            | 59,890            | <b>3,585,451</b>   | 2%             |
| South Asia                                                                                            | 1,001,521             | 254,613                         | 2,060,491              | 48,931                      | 8,660,674                    | 2,075,446         | 10,779,215        | 301,710           | <b>25,182,601</b>  | 14%            |
| Sub-Sahara Africa                                                                                     | 265,609               | 205,743                         | 2,869,461              | 42,855                      | 860,137                      | 977,764           | 254,197           | 14,795,580        | <b>20,271,346</b>  | 11%            |
| <b>Total</b>                                                                                          | <b>16,313,999</b>     | <b>31,400,136</b>               | <b>37,636,600</b>      | <b>6,245,959</b>            | <b>21,616,351</b>            | <b>42,172,334</b> | <b>13,170,413</b> | <b>17,959,904</b> | <b>186,515,696</b> | 100%           |
| % global stock                                                                                        | 9%                    | 17%                             | 20%                    | 3%                          | 12%                          | 23%               | 7%                | 10%               | 100%               |                |
| <b>Number of bilateral portability arrangements concluded by countries in the region<sup>1</sup>:</b> |                       |                                 |                        |                             |                              |                   |                   |                   |                    |                |
|                                                                                                       | 181                   | 148                             | 1628                   | 555                         | 152                          | 94                | 3                 | 177               | 2938               |                |

*Note:* 1. Each bilateral portability arrangement is counted twice, once for both countries involved. Also, some bilateral agreements cover more than two countries. This is the case if one or both of the contracting countries have overseas territories, which are usually included as national territory in their contracts (for example, France, UK, USA). Some bilateral arrangements are part of a multilateral treaty, like in the EU.

*Source:* Migration DRC (2007) and authors' calculations.

**Table 2 Global migrant stock estimates and bilateral portability arrangement by origin and host income-group (2000)**

| Origin country<br>income-group                                                                              | Host country income-group   |                                         |                                         |                                      |                                      | Total              | % global<br>stock |
|-------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------|--------------------------------------|--------------------|-------------------|
|                                                                                                             | Low-<br>income<br>countries | Lower<br>middle-<br>income<br>countries | Upper<br>middle-<br>income<br>countries | Non-OECD<br>high-income<br>countries | OECD<br>high-<br>income<br>countries |                    |                   |
| <b>Low-income<br/>countries</b>                                                                             | 23,339,921                  | 10,989,418                              | 4,832,109                               | 3,332,615                            | 11,128,178                           | <b>53,622,241</b>  | 29%               |
| <b>Lower middle-<br/>income<br/>countries</b>                                                               | 4,817,600                   | 27,815,316                              | 9,099,077                               | 5,592,653                            | 29,162,504                           | <b>76,487,150</b>  | 41%               |
| <b>Upper middle-<br/>income<br/>countries</b>                                                               | 691,741                     | 2,095,454                               | 1,447,944                               | 1,110,490                            | 16,293,585                           | <b>21,639,214</b>  | 12%               |
| <b>Non-OECD<br/>high-income<br/>countries</b>                                                               | 195,520                     | 1,270,164                               | 332,871                                 | 205,867                              | 3,844,703                            | <b>5,849,125</b>   | 3%                |
| <b>OECD high-<br/>income<br/>countries</b>                                                                  | 1,147,634                   | 2,689,451                               | 1,721,117                               | 949,142                              | 22,410,626                           | <b>28,917,970</b>  | 16%               |
| <b>Total</b>                                                                                                | <b>30,192,416</b>           | <b>44,859,803</b>                       | <b>17,433,118</b>                       | <b>11,190,767</b>                    | <b>82,839,596</b>                    | <b>186,515,700</b> | 100%              |
| % global stock                                                                                              | 16%                         | 24%                                     | 9%                                      | 6%                                   | 44%                                  | 100%               |                   |
| <b>Number of bilateral portability arrangements concluded by countries in<br/>income-group<sup>1</sup>:</b> |                             |                                         |                                         |                                      |                                      |                    |                   |
|                                                                                                             | 92                          | 404                                     | 823                                     | 461                                  | 1157                                 | 2937               |                   |

*Note:* 1. Each bilateral portability arrangement is counted twice, once for both countries involved. Also, some bilateral agreements cover more than two countries. This is the case if one or both of the contracting countries have overseas territories, which are usually included as national territory in their contracts (for example, France, UK, USA). Some bilateral arrangements are part of a multilateral treaty, like in the EU.

*Source:* Migration DRC (2007) and authors' calculations.

The main migration vectors are from lower to higher-income countries, but there is also considerable migration among lower income countries. About 130 million migrants (70 percent) originate from low or lower middle-income countries, while they host only 40 percent of migrants (see Table 2). In contrast, high-income countries host about 93 million migrants (50 percent) while sending only 19 percent of migrants. Yet, when exploring the data in more detail, it also becomes clear that global migration is not a one-way street from lower to higher-income countries. Almost 67 million migrants from low and lower middle-income countries live in another low or lower middle-income country. The latter is no surprise due to the high intra-regional migration.

What is somewhat surprising, though, is that the large majority of migrants from low-income countries live in another low-income country—while for all other country-income



groups, the majority of migrants go to high-income OECD countries. It seems that migrants from the poorest countries tend to go to other, similarly poor countries.<sup>42</sup>

About 23 percent of global migrants move under the favorable Regime I of full access and full portability (see Table 3). The share of migrants under Regime I varies significantly among the regions. The EU27 countries and other Europe have 80 percent of their migrants covered followed by North America with 68 percent. Migrants from poorer regions are much worse off, practically no migrants from South Asia, and only 4 percent of migrants from Sub-Saharan Africa move under Regime I.

**Table 3 Global emigrant stock estimates by origin region and Portability Regime (2000)**<sup>43</sup>

| Origin region                          | Regime I   | Regime II   | Regime III | Regime IV  | Total       | % global stock |
|----------------------------------------|------------|-------------|------------|------------|-------------|----------------|
| <b>East Asia and Pacific</b>           | 3,189,217  | 15,588,651  | 825,255    | 3,609,755  | 23,212,878  | 12%            |
| % total                                | 14%        | 67%         | 4%         | 16%        | 100%        |                |
| <b>Eastern Europe and Central Asia</b> | 5,231,252  | 27,484,317  | 358,591    | 8,442,567  | 41,516,727  | 22%            |
| % total                                | 13%        | 66%         | 1%         | 20%        | 100%        |                |
| <b>EU-27 and other Europe</b>          | 23,101,222 | 4,214,004   | 281,310    | 1,284,324  | 28,880,860  | 15%            |
| % total                                | 80%        | 15%         | 1%         | 4%         | 100%        |                |
| <b>Latin America and Caribbean</b>     | 4,117,978  | 16,137,106  | 167,538    | 7,921,363  | 28,343,985  | 15%            |
| % total                                | 15%        | 57%         | 1%         | 28%        | 100%        |                |
| <b>Middle East and North Africa</b>    | 3,713,448  | 6,751,815   | 2,713,785  | 2,342,802  | 15,521,850  | 8%             |
| % total                                | 24%        | 43%         | 17%        | 15%        | 100%        |                |
| <b>North America</b>                   | 2,439,139  | 1,054,736   | 55,805     | 35,773     | 3,585,452   | 2%             |
| % total                                | 68%        | 29%         | 2%         | 1%         | 100%        |                |
| <b>South Asia</b>                      | 20,105     | 16,528,148  | 4,413,451  | 4,220,898  | 25,182,602  | 14%            |
| % total                                | 0%         | 66%         | 18%        | 17%        | 100%        |                |
| <b>Sub-Sahara Africa</b>               | 714,570    | 14,104,664  | 627,117    | 4,824,994  | 20,271,345  | 11%            |
| % total                                | 4%         | 70%         | 3%         | 24%        | 100%        |                |
| <b>Total</b>                           | 42,526,931 | 101,863,440 | 9,442,851  | 32,682,476 | 186,515,698 | 100%           |
| % total                                | 23%        | 55%         | 5%         | 18%        | 100%        |                |

Source: Migration DRC (2007) and authors' calculations.

Most migrants under Regime I, though, are from and go to high-income countries. More than half of the 43 million Regime I migrants originate in high-income OECD countries (see Table 4). These countries cover 86 percent of their emigrants under this favorable regime. Also, the social protection status of migrants seems to increase with migrants' origin income-country group (see column of Regime I). Moreover, almost all migrants (98 percent) moving among high-income OECD countries—so-called “north-north”

<sup>42</sup> The largest hotspots of migration between low-income countries are South Asia, West Africa, and Central Asia.

<sup>43</sup> For the region-country classification see <http://go.worldbank.org/D7SN0B8YU0>.

migration—are covered by bilateral agreements (see Table 5). With the exception of migrants from upper middle-income countries, migrants from developing countries are very poorly covered by Regime I. In fact, the top migrant sending countries—Russia, Mexico, India, Bangladesh, Ukraine, and China—with emigrant stocks between 6 and 13 million have concluded next to no bilateral portability arrangements.<sup>44</sup> Thus, protecting their emigrants through bilateral agreements seems to be indeed a practice that is primarily common in high-income countries.

**Table 4 Global emigrant stock estimates by origin country income-group and Portability Regime (2000)**

| <b>Origin country<br/>income-group</b>        | <b>Regime I</b>   | <b>Regime II</b>   | <b>Regime III</b> | <b>Regime IV</b>  | <b>Total</b>       | <b>% global<br/>stock</b> |
|-----------------------------------------------|-------------------|--------------------|-------------------|-------------------|--------------------|---------------------------|
| <b>Low-income<br/>countries</b>               | 850,985           | 36,720,832         | 5,293,338         | 10,757,086        | 53,622,241         | 29%                       |
| <i>% total</i>                                | 2%                | 68%                | 10%               | 20%               | 100%               |                           |
| <b>Lower middle-<br/>income<br/>countries</b> | 11,312,511        | 47,224,671         | 3,476,163         | 14,473,805        | 76,487,150         | 41%                       |
| <i>% total</i>                                | 15%               | 62%                | 5%                | 19%               | 100%               |                           |
| <b>Upper middle-<br/>income<br/>countries</b> | 3,521,212         | 10,724,671         | 189,357           | 7,203,975         | 21,639,215         | 12%                       |
| <i>% total</i>                                | 16%               | 50%                | 1%                | 33%               | 100%               |                           |
| <b>Non-OECD<br/>high-income<br/>countries</b> | 2,063,914         | 3,534,415          | 192,987           | 57,809            | 5,849,125          | 3%                        |
| <i>% total</i>                                | 35%               | 60%                | 3%                | 1%                | 100%               |                           |
| <b>OECD high-<br/>income<br/>countries</b>    | 24,778,310        | 3,658,850          | 291,007           | 189,802           | 28,917,969         | 16%                       |
| <i>% total</i>                                | 86%               | 13%                | 1%                | 1%                | 100%               |                           |
| <b>Total</b>                                  | <b>42,526,932</b> | <b>101,863,439</b> | <b>9,442,852</b>  | <b>32,682,476</b> | <b>186,515,699</b> | <b>100%</b>               |
| <i>% total</i>                                | 23%               | 55%                | 5%                | 18%               | 100%               |                           |

Source: Migration DRC (2007) and authors' calculations.

Migrants from developing countries, on the other hand, mostly fall into Regime II. Comparing Table 5 with Table 6 reveals that as much as migrants from high-income countries are covered by Regime I, migrants moving from countries with lower income countries are moving under Regime II. This confirms that poorer regions have much more migrants in Regime II, and thus depending on national legislation regarding the provision of social security.

<sup>44</sup> Nevertheless, the efforts of Mexico and India to negotiate an agreement with the US, and India also with various European countries should be acknowledged.

**Table 5 Global migrant stock estimates of Regime I migrants only by origin and host income-group (2000)**

| Origin country income-group           |                | Host country income-group |                               |                               |                                |                            | Total       |
|---------------------------------------|----------------|---------------------------|-------------------------------|-------------------------------|--------------------------------|----------------------------|-------------|
|                                       |                | Low-income countries      | Lower middle-income countries | Upper middle-income countries | Non-OECD high-income countries | OECD high-income countries |             |
| <b>Low-income countries</b>           | Total stock    | 23,339,921                | 10,989,418                    | 4,832,109                     | 3,332,615                      | 11,128,178                 | 53,622,241  |
|                                       | Regime I stock | 156,728                   | 8,410                         | 222,108                       | 371                            | 463,368                    | 850,985     |
|                                       | <b>% total</b> | <b>1%</b>                 | <b>0%</b>                     | <b>5%</b>                     | <b>0%</b>                      | <b>4%</b>                  | <b>2%</b>   |
| <b>Lower middle-income countries</b>  | Total stock    | 4,817,600                 | 27,815,316                    | 9,099,077                     | 5,592,653                      | 29,162,504                 | 76,487,150  |
|                                       | Regime I stock | 5,604                     | 1,559,285                     | 1,343,144                     | 130,076                        | 8,274,403                  | 11,312,511  |
|                                       | <b>% total</b> | <b>0%</b>                 | <b>6%</b>                     | <b>15%</b>                    | <b>2%</b>                      | <b>28%</b>                 | <b>15%</b>  |
| <b>Upper middle-income countries</b>  | Total stock    | 691,741                   | 2,095,454                     | 1,447,944                     | 1,110,490                      | 16,293,585                 | 21,639,214  |
|                                       | Regime I stock | 5,252                     | 208,495                       | 962,478                       | 127,250                        | 2,217,738                  | 3,521,212   |
|                                       | <b>% total</b> | <b>1%</b>                 | <b>10%</b>                    | <b>66%</b>                    | <b>11%</b>                     | <b>14%</b>                 | <b>16%</b>  |
| <b>Non-OECD high-income countries</b> | Total stock    | 195,520                   | 1,270,164                     | 332,871                       | 205,867                        | 3,844,703                  | 5,849,125   |
|                                       | Regime I stock | 3                         | 1,174                         | 27,699                        | 2,529                          | 2,032,509                  | 2,063,914   |
|                                       | <b>% total</b> | <b>0%</b>                 | <b>0%</b>                     | <b>8%</b>                     | <b>1%</b>                      | <b>53%</b>                 | <b>35%</b>  |
| <b>OECD high-income countries</b>     | Total stock    | 1,147,634                 | 2,689,451                     | 1,721,117                     | 949,142                        | 22,410,626                 | 28,917,970  |
|                                       | Regime I stock | 117,696                   | 1,088,024                     | 1,009,941                     | 545,149                        | 22,017,499                 | 24,778,310  |
|                                       | <b>% total</b> | <b>10%</b>                | <b>40%</b>                    | <b>59%</b>                    | <b>57%</b>                     | <b>98%</b>                 | <b>86%</b>  |
| <b>Total</b>                          | Total stock    | 30,192,416                | 44,859,803                    | 17,433,118                    | 11,190,767                     | 82,839,596                 | 186,515,700 |
|                                       | Regime I stock | 285,283                   | 2,865,387                     | 3,565,368                     | 805,376                        | 35,005,518                 | 42,526,932  |
|                                       | <b>% total</b> | <b>1%</b>                 | <b>6%</b>                     | <b>20%</b>                    | <b>7%</b>                      | <b>42%</b>                 | <b>23%</b>  |

Source: Migration DRC (2007) and authors' calculations.

**Table 6 Global migrant stock estimates of Regime II migrants by origin and host income-group (2000)**

| Origin country income-group    |                       | Host country income-group |                               |                               |                                |                            | Total       |
|--------------------------------|-----------------------|---------------------------|-------------------------------|-------------------------------|--------------------------------|----------------------------|-------------|
|                                |                       | Low-income countries      | Lower middle-income countries | Upper middle-income countries | Non-OECD high-income countries | OECD high-income countries |             |
| Low-income countries           | <i>Total</i>          | 23,339,921                | 10,989,418                    | 4,832,109                     | 3,332,615                      | 11,128,178                 | 53,622,241  |
|                                | <i>Regime II</i>      | 19,149,568                | 7,237,544                     | 898,283                       | 727,760                        | 8,707,678                  | 36,720,832  |
|                                | <i>% in Regime II</i> | <b>82%</b>                | <b>66%</b>                    | <b>19%</b>                    | <b>22%</b>                     | <b>78%</b>                 | <b>68%</b>  |
| Lower middle-income countries  | <i>Total</i>          | 4,817,600                 | 27,815,316                    | 9,099,077                     | 5,592,653                      | 29,162,504                 | 76,487,150  |
|                                | <i>Regime II</i>      | 3,974,561                 | 19,392,970                    | 4,184,551                     | 3,879,982                      | 15,792,607                 | 47,224,671  |
|                                | <i>% in Regime II</i> | <b>83%</b>                | <b>70%</b>                    | <b>46%</b>                    | <b>69%</b>                     | <b>54%</b>                 | <b>62%</b>  |
| Upper middle-income countries  | <i>Total</i>          | 691,741                   | 2,095,454                     | 1,447,944                     | 1,110,490                      | 16,293,585                 | 21,639,214  |
|                                | <i>Regime II</i>      | 570,056                   | 1,342,214                     | 208,394                       | 566,034                        | 8,037,972                  | 10,724,671  |
|                                | <i>% in Regime II</i> | <b>82%</b>                | <b>64%</b>                    | <b>14%</b>                    | <b>51%</b>                     | <b>49%</b>                 | <b>50%</b>  |
| Non-OECD high-income countries | <i>Total</i>          | 195,520                   | 1,270,164                     | 332,871                       | 205,867                        | 3,844,703                  | 5,849,125   |
|                                | <i>Regime II</i>      | 192,776                   | 1,246,919                     | 189,995                       | 130,357                        | 1,774,368                  | 3,534,415   |
|                                | <i>% in Regime II</i> | <b>99%</b>                | <b>98%</b>                    | <b>57%</b>                    | <b>63%</b>                     | <b>46%</b>                 | <b>60%</b>  |
| OECD high-income countries     | <i>Total</i>          | 1,147,634                 | 2,689,451                     | 1,721,117                     | 949,142                        | 22,410,626                 | 28,917,970  |
|                                | <i>Regime II</i>      | 1,005,757                 | 1,572,087                     | 633,976                       | 188,419                        | 267,293                    | 3,667,533   |
|                                | <i>% in Regime II</i> | <b>88%</b>                | <b>58%</b>                    | <b>37%</b>                    | <b>20%</b>                     | <b>1%</b>                  | <b>13%</b>  |
| <b>Total</b>                   | <i>Total</i>          | 30,192,416                | 44,859,803                    | 17,433,118                    | 11,190,767                     | 82,839,596                 | 186,515,700 |
|                                | <i>Regime II</i>      | 24,892,718                | 30,791,734                    | 6,115,198                     | 5,492,553                      | 34,925,635                 | 102,217,838 |
|                                | <i>% in Regime II</i> | <b>82%</b>                | <b>69%</b>                    | <b>35%</b>                    | <b>49%</b>                     | <b>42%</b>                 | <b>55%</b>  |

Source: Migration DRC (2007) and authors' calculations.

Also among Regime II migrants, though, the social protection status of migrants depends on the region of origin and destination. Migrants moving to high-income countries have by and large access to better social security systems and services than migrants moving to low or middle-income countries. The weakly developed social security systems in many lower (middle) income countries often leave migrants (and most likely many nationals, too) in a situation where they cannot rely on the provision of public social services in times of need. This is another disadvantage that south-south migrants, who only move short distances within low-income regions, face compared to south-north migrants.

**Table 7 Estimates of emigrant stocks for top Regime-I-migrant sending countries, with developing countries in bold (2000)**

| Country of origin             | Emigrants under Regime I | Total stock of emigrants | % under Regime I |
|-------------------------------|--------------------------|--------------------------|------------------|
| United Kingdom                | 3,804,695                | 4,209,287                | 90%              |
| Germany                       | 3,465,076                | 4,084,740                | 85%              |
| Italy                         | 3,061,119                | 3,297,607                | 93%              |
| <b>Turkey</b>                 | 2,125,323                | 3,138,106                | <b>68%</b>       |
| <b>Morocco</b>                | 1,770,866                | 1,985,531                | <b>89%</b>       |
| Portugal                      | 1,720,881                | 2,706,007                | 64%              |
| <b>Algeria</b>                | 1,557,699                | 1,796,884                | <b>87%</b>       |
| France                        | 1,505,967                | 2,161,306                | 70%              |
| Puerto Rico                   | 1,485,654                | 1,603,441                | 93%              |
| Republic of Korea             | 1,274,802                | 1,495,010                | 85%              |
| Spain                         | 1,269,907                | 1,372,344                | 93%              |
| United States of America      | 1,245,931                | 2,252,928                | 55%              |
| Canada                        | 1,187,639                | 1,306,545                | 91%              |
| <b>Serbia and Montenegro</b>  | 1,036,033                | 1,766,123                | 59%              |
| Ireland                       | 914,135                  | 987,383                  | 93%              |
| <b>Bosnia and Herzegovina</b> | 830,482                  | 1,335,420                | 62%              |
| Greece                        | 780,797                  | 933,242                  | 84%              |
| <b>Poland</b>                 | 729,954                  | 2,184,014                | 33%              |
| Netherlands                   | 720,705                  | 788,853                  | 91%              |
| <b>Romania</b>                | 643,209                  | 1,114,098                | 58%              |

Source: Migration DRC (2007) and authors' calculations. Lower/Middle income countries in bold.

Nevertheless, some low and lower-middle income countries have successfully managed to protect their migrants by concluding bilateral social security agreements. For example, countries like Morocco, Algeria and Turkey have managed to cover 89, 87 and 68 percent of their emigrants respectively under Regime I (see Table 7). In addition, there are also the regional agreements of CARICOM and MERCOSUR countries, which have made efforts to grant nondiscriminatory access to social services and make benefits portable for intra-regional migrants. CARICOM has almost 3.4 million migrants of whom 12 percent move under Regime I. Yet, it seems that the impact of the CARICOM agreement itself is limited due to the relatively low number of intra-regional migrants (see Table 8). Of all

Regime I migrants from CARICOM, only 15 percent are covered by the CARICOM agreement. In addition, a study by Forteza (2008) raises questions about the effective implementation of the CARICOM portability agreement.

For migrants from MERCOSUR countries, the same numbers are more balanced. Forty percent of all the 2.35 million emigrants from these countries move under Regime I. The MERCOSUR agreements cover almost 70 percent of all Regime I migrants. This means that these agreements are relevant to 27 percent of all migrants from these countries. Clearly, MERCOSUR's impact seems to be stronger, though it should be noted that it also has fewer countries to coordinate and that social security systems are comparatively well established.

**Table 8 Estimates of emigrant stocks under Regime I for MERCOSUR and CARICOM<sup>45</sup> (2000)**

| <b>Region of origin</b>                                                               | <b>MERCOSUR</b> | <b>CARICOM</b> |
|---------------------------------------------------------------------------------------|-----------------|----------------|
| Total emigrants from region                                                           | 2,349,633       | 3,359,256      |
| Intra-regional emigrants                                                              | 766,596         | 97,001         |
| Total Regime I emigrants from region                                                  | 934,173         | 406,648        |
| Intra-regional Regime I emigrants                                                     | 642,599         | 60,931         |
| <i>Intra-regional emigrants as % of total emigrants from region</i>                   | 40%             | 12%            |
| <i>Intra-regional Regime I emigrants as % of total Regime I emigrants from region</i> | 69%             | 15%            |
| <i>Intra-regional Regime I emigrants as % of total emigrants from region</i>          | 27%             | 2%             |

Source: Migration DRC (2007) and authors' calculations.

In conclusion, it seems that primarily migrants from high-income countries move under Regime I because pension systems in these countries tend to be well developed and portability agreements in place. The tool of bilateral, or multilateral, arrangements to provide social protection for emigrants may not be suitable for low-income countries. The example of CARICOM has also shown that it may be difficult to achieve a large impact even if taking the effort to negotiate an agreement—which does not mean that these countries are not on the right track. Weak development of social security provisions and lack of administrative capacity are likely the reason why poorer countries are not in the position to engage in bilateral or multilateral negotiations on the social protection for their emigrants. Since the large majority of emigrants from low-income countries go to other low or lower middle-income countries, the concern is not so much how developing countries can coordinate with high-income countries in order to enhance the social protection of their emigrants, but how low income countries can develop and strengthen social protection system and coordinate among themselves to enhance the social protection of south-south migrants. The situation of south-south migrants and the options they have in terms of social protection will be analyzed in the next section, focusing on the example of migrants from and within the Southern African Development Community (SADC).

<sup>45</sup> Suriname and Haiti are not part of the agreement on social security. Haiti has the highest share (22%) of intra-regional emigrants.

## 4 Implications for south-south migrants

This section focuses on issues in social protection of migrants moving among low and middle-income countries. Formal as well as informal social protection is looked at to discuss the situation and implications of southern migrants.

### 4.1 Formal social protection for south-south migrants

Formal social protection for south-south migrants is limited by two facts: first, a large share of south-south migrants are undocumented; and second, even for legal migrants in low and lower middle-income countries, provisions for formal social protection are limited, even for the native labor force. With regard to the first point, Table 9 shows that most undocumented migrants indeed originate in low and lower-middle income countries and a very high share is taken up by migrants within the respective groups. For example, about three quarters of undocumented migrants from low-income countries migrate to other low or middle-income countries. With respect to lower-middle income countries undocumented migrants also seem to move primarily to countries at similar income levels. Overall, high-income OECD countries are the largest receiver of undocumented migrants (based on conservative estimates) with migrants from Mexico to the US as the main driver. This group is followed by lower middle-income host countries with, for example, South Africa as a main receiver.

**Table 9: Global migrant stock estimates of Regime IV migrants only (undocumented migrants) by origin and host income-group (2000)**

| Origin country<br>income-group       | Host country income-group |                                      |                                      |                                      |                                   | Total             |
|--------------------------------------|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|-------------------|
|                                      | Low-income<br>countries   | Lower middle-<br>income<br>countries | Upper middle-<br>income<br>countries | Non-OECD<br>high-income<br>countries | OECD high-<br>income<br>countries |                   |
| Low-income<br>countries              | 3,775,249                 | 3,681,516                            | 781,597                              | 561,591                              | 1,957,132                         | <b>10,757,086</b> |
| Lower middle-<br>income<br>countries | 779,250                   | 6,156,610                            | 1,471,782                            | 970,669                              | 5,095,494                         | <b>14,473,805</b> |
| Upper middle-<br>income<br>countries | 111,890                   | 531,205                              | 234,206                              | 288,799                              | 6,037,875                         | <b>7,203,975</b>  |
| Non-OECD<br>high-income<br>countries | 1,949                     | 12,663                               | 3,319                                | 2,052                                | 37,825                            | <b>57,809</b>     |
| OECD high-<br>income<br>countries    | 11,442                    | 26,805                               | 17,160                               | 8,563                                | 125,833                           | <b>189,802</b>    |
| <b>Total</b>                         | <b>4,679,780</b>          | <b>10,408,798</b>                    | <b>2,508,064</b>                     | <b>1,831,674</b>                     | <b>13,254,160</b>                 | <b>32,682,476</b> |

*Source:* Migration DRC (2007) and authors' calculations.

With regard to the second point that even for legal migrant's social protection is limited, it should first of all be said that formal social security provisions in low and middle-income countries are usually also insufficient for natives. For example, a country like Malawi does not have a general social security system that provides a public, contribution-based pension to the native labor force. Typically, these countries rely on occupational schemes and provide contribution-based social security only for public

servants and the military. Further, lack of formal social protection is not only due to weak public provisions, but also because a large share of the labor force—migrants or not—work in the informal sector. For example, in Zambia only 10 percent of the labor force work in formal employment and have access to social security.<sup>46</sup> Approaching improvement in social security and more broadly in social protection from a regional perspective seems to be promising, however, largely dependent on the effort countries put into it. SADC recently agreed on a Social Charter relating to a number of social rights and stressing the importance to provide protection to people in need, but it is unclear how to implement such standards in each country.<sup>47</sup>

Given this environment of weak social security systems, as it is the case in SADC, migrants are particularly vulnerable because they are discriminated against. Migrants are subject to immigration laws, which differentiate between permanent residents, temporary residents, migrant workers, refugees, asylum-seekers and undocumented non-citizens. Most importantly, social security laws discriminate between these different groups and exclude certain groups from its provisions. Thus, migrants in some groups cannot rely on any set legal social security framework (Olivier 2009).<sup>48</sup> Moreover, in some countries where social services can actually be accessed by migrants, they may still suffer from discrimination; for example, in Zambia the provision of education requires paying higher fees for non-citizens.<sup>49</sup> Discrimination is likely to be hardest for particularly vulnerable groups such as irregular migrants, refugees, and women in particular.<sup>50</sup>

Given the previous discussion it is also no surprise that southern African countries have little to offer with respect to portability of benefits. Most benefits are tax-financed social assistance benefits and social security often relies primarily on occupational schemes, if any.<sup>51</sup> Nevertheless, there are some attempts to address portability. For example, the agreement between Zambia and Malawi states that the Workers Compensation Fund in Zambia has to identify a medical practitioner in Malawi to administer medical examinations or assessment for pneumoconiosis/silicosis for Malawian miners who worked in Zambia. In the long run, it should also facilitate the remittance of monthly pension through the Malawi High Commission in Lusaka.<sup>52</sup> South Africa has also entered into so-called labor agreements with a range of SADC countries, but mostly the agreements do not cover public social security schemes, and constitute merely employer-based occupational arrangements. The few social security arrangements typically arrange for the payment of taxes to the government of the sending country such as deferred pay to be paid to the foreign national in the sending country upon return to that country; allowances payable to family members; and monies to be paid into a welfare fund which may be set up by the government of the sending country for the purpose of supporting

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<sup>46</sup> See Muyembe (2007).

<sup>47</sup> Olivier (2009).

<sup>48</sup> Also see Ntseane and Solo (2007), Adongo (2007), CICLASS (2007), Nyenty et al. (2007), Muyembe (2007), Makhema (2009) for country studies.

<sup>49</sup> See Muyembe (2007).

<sup>50</sup> Makhema (2009).

<sup>51</sup> See Ntseane and Solo (2007), Adongo (2007), CICLASS (2007), Nyenty et al. (2007), Muyembe (2007), Makhema (2009).

<sup>52</sup> Olivier (2009).



such citizens during periods of their disablement upon return to the sending country. However, the enforcement of employer's compliance with such regulations is questionable. Also, it should be noted that all these arrangements obviously do not provide for desired features of coordinating regimes, such as maintenance of acquired rights, aggregation of insurance periods, and equality of treatment with nationals of the receiving country in social security matters.

Regional efforts may help to bring about change in the approach to social protection across borders; however, their impact may be limited for the same reasons that deter the implementation of comprehensive social security systems. SADC, for example, has agreed on a Social Code which touches upon migrants' rights, encourages members to protect their immigrants, give them equal access to the social security system, and offer at least basic protection to undocumented migrants. Further, member states are encouraged to introduce, by way of national legislation and bi- or multilateral arrangements, cross-border co-ordination principles, such as maintenance of acquired rights, aggregation of insurance periods, and exportability of benefits. However, the Social Code is not a legally binding agreement and, given the status quo of the welfare systems in SADC, it seems to be more of a wishful thinking.

It seems overall that the agenda to bring forward social protection for migrants within SADC and potentially south-south migrants in other regions is not very well developed. One question is consequently if there are lessons to be learned from other regional agreements. The EU has probably been the most successful region in concluding multilateral and bilateral agreements. It has to be mentioned, though, that the EU is a fairly homogenous region with similarly well developed social systems. Equally well developed systems are easier to connect and to coordinate, in particular with regard to complex actuarial transactions. Also, the capacity to administer such agreements, including record-keeping and tracing of contributions as well as executing complicated actuarial operations like totalization of periods of contribution, is well developed.

These observations about EU social security arrangements and the previous analysis which mainly gave examples from SADC make clear that many low-income countries might be far from being ready to conclude such agreements. Their welfare systems are too unprepared to engage in these complex issues. Social security is not even ensured to be a social right in many countries, and the large number of undocumented migrants and informal workers results in a diminutive share of the workforce being covered.

Similarly, the models of CARICOM or MERCOSUR cannot serve as examples for regions with mostly low-income countries like SADC, although these countries are more similar than the EU with respect to the challenges the countries face. CARICOM and MERCOSUR are indeed in a better position because they have better developed social security systems.

SADC is not the same as the EU, nor the same as CARICOM or MERCOSUR: there are no strong social security systems in place. Most of the countries in SADC are low-income countries, capacities to administer elaborate social security systems—or bilateral social security agreements—are low; and most of the few social protection systems in place are, in fact, tax-funded social assistance programs, and not social security programs.

Following this idea of tax-funded social protection, one can look at countries like Australia, New Zealand, and the United Kingdom who rely less on social security and more on tax-financed social assistance systems. Intuitively, it seems to be clear that tax-funded benefits are less portable. As already mentioned, the link between contributions and benefits is less explicit because taxes are not earmarked like contributions. Also, social assistance systems usually do not have an explicit long-term component with a pre-saving element: taxes are paid now, and redistributed to those in need now. There is no element of return in the future, like with social security contributions. Even within the EU, tax financed benefits like social assistance are not portable. Nevertheless, countries that rely more on social assistance and less on social security have made some of their benefits portable, and the question is if there are any lessons to be learned for low-income countries.

The short answer is that the lessons to be learned from tax-financed benefits are also limited. The qualifying conditions for tax-financed benefits are closely tied to residency in the host country and means-testing. These benefits can only be made portable with the same type of bilateral agreement mentioned above—with the same complex administrative requirements. Yet, the disadvantage is that in the absence of a bilateral agreement, these benefits are not even exportable (like in Australia). New Zealand is an exception as its national law specifically allows the tax-financed old-age pension to be paid in the Pacific Islands. Nevertheless, even in that case the migrant still has to be resident of New Zealand at the age of 65. Migrants who have left New Zealand before that—even if they have paid New Zealand taxes for many years—do not have an entitlement.<sup>53</sup>

There are some lessons to be learned from Australia's defined-contribution superannuation pension. This is a fully funded pension system with individual accounts, which are in principle fully exportable. Once the migrant leaves the country, the account is simply paid out, although the Australian tax system seems to provide strong disincentives to do so. This is in fact very similar to the occupational schemes that are provided by many employers in SADC as old-age benefits for their employees, yet it is unclear how well these funds work for migrants.

Hence, it seems that there is no real portability model yet for SADC and other low-income countries on how to enhance the formal social protection for their emigrants and migrants. And again, given the limited provisions and low overall coverage by social security of the labor force in SADC, it seems that concerns about the lack of portability of benefits are pre-mature. Instead, it seems that a more effective policy direction to improve the social protection position of international migrants in SADC is to (i) create a proper policy framework to manage migration in the region, in particular undocumented migration; (ii) focus on the social protection for the most vulnerable groups—women, children, refugees and undocumented migrants—by improving their legal status in the host country and ensuring that their most basic rights are respected; and (iii) develop standards on how to coordinate social systems in the future to ensure portability of acquired social security rights. The latter point is undoubtedly closely related to enhancing the social protection frameworks of countries itself—that is, to develop a

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<sup>53</sup> Wolford (2009)

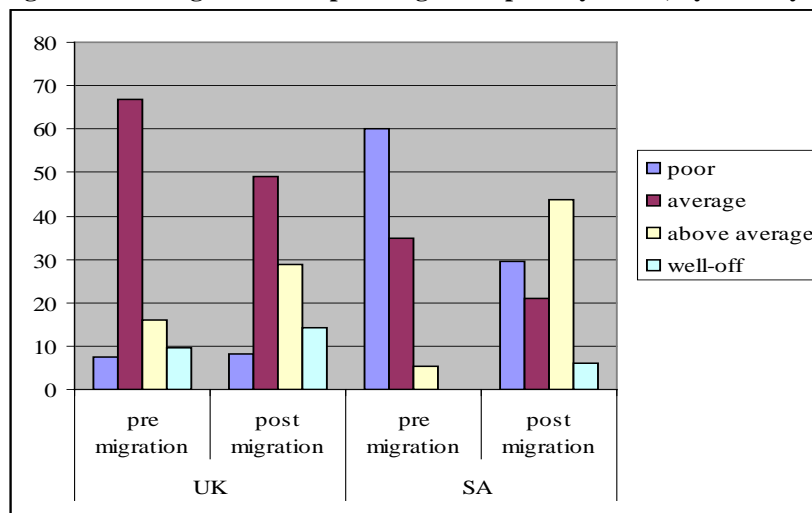
framework not only for migrants, but also the native population. This will also require discussing the role of the state to establish such a framework for social risk management: for individuals, businesses and governments. The instruments for such social risk management are many and include measures such as private savings (therefore ensuring efficiency and accessibility to savings institutions), information dissemination (such as on variability of rainfall), and education in risk management.

The previous section discussed the level of social protection that migrants have in SADC and particularly highlighted what they do *not* have and what challenges countries still face in the future. It remains to further look at the micro level and see what options migrants are left with, outside the formal social protection framework provided by the employers and governments. That is, how can they protect themselves and what role does informal social protection play.

## 4.2 Informal social protection in SADC

As mentioned in the beginning, informal social protection is part of the definition of social protection and refers to institutions and networks that migrants take advantage of outside formal provisions. These can for example be migrant networks existing through established migration routes and local communities and churches providing help for their members. In order to analyze this part the following will refer to research by Sabates-Wheeler (2008) which has been conducted jointly with this study but focused more heavily on informal rather than on formal social protection. The center of this research is a survey done in Malawi where Malawian return migrants from South Africa vis-à-vis from the United Kingdom were interviewed regarding their migration experience. The findings on what role migration plays in the life of these migrants and how they protect themselves are very important to evaluate the situation of south-south migrants.

**Figure 2: Pre-migration and post-migration poverty status, by country of destination, in percentages**



Source: Sabates-Wheeler (2008)

The study finds that migrants from poorer and less educated backgrounds migrate primarily to the nearer places.<sup>54</sup> Despite this selection depending on the destination, the migrants in this study achieved positive migration outcomes independent of their characteristics and particularly migrant status (legal versus illegal). In fact, south-south migration seems to have a poverty alleviating impact. In the survey, the respondents were asked to evaluate their pre and post poverty status and all migrants, but particularly those migrating to South Africa, felt that migration had considerably improved their situation. Figure 1 illustrates this result in detail.

Further the study comes to the conclusion that migrants protect themselves through remittances and accumulation of assets at home and that migration constitutes their main risk-management strategy. It seems that migrants to South Africa usually migrate for a specific purpose like for example being able to buy assets or land. Also, they do not intend to stay in South Africa for longer periods. Thus, migration itself is their social protection from the risks they face at home.

The study further confirms what the global data and analysis of national provisions have concluded regarding formal social protection. Only a small share of migrants enjoys employment-based social protection—at destination and origin. Table 10 confirms that UK-migrants are better off from the beginning (selection) also in terms of their social security position. South African migrants seem to start out with little social protection provision and hardly have any at destination (many are also unemployed at origin). This confirms the high level of informality of migrants to South Africa. And, as the study further finds, migrants do heavily rely on informal social protection mechanisms. Social networks seem to be an important factor for achieving positive migration outcomes. Qualitative research that complemented this study found that migrants sought help in churches, burial societies and also employers sometimes offered their illegal employees health and housing support.<sup>55</sup>

**Table 10: Percentage of migrants having access to standard employment-based social protection at origin and at destination**

|     | UK-migrants        |                         | SA-migrants        |                         |
|-----|--------------------|-------------------------|--------------------|-------------------------|
|     | Entitled at origin | Entitled at destination | Entitled at origin | Entitled at destination |
| Yes | 82                 | 53                      | 28                 | 13                      |
| No  | 18                 | 47                      | 72                 | 87                      |

*Source: Sabates-Wheeler (2008)*

To sum up the most crucial result from this research focusing on informal social protection is that migration itself is a social protection tool for many people and that it is migration itself that may particularly help poor people to improve their situation. This is certainly not to say that formal social protection is not important but rather it needs to be enhanced to make the migration experience even more beneficial for migrants.

<sup>54</sup> Also most SADC migrants go to South Africa.

<sup>55</sup> Reitzes and Sabates-Wheeler (2008)

## 5 Conclusion

The discussion above made clear that formal social protection for migrants is provided on different levels, depending on the nature of migration flows. North-north migrants are clearly in the best position in terms of access to and portability of social security benefits. Migrants of south-north migration flows often do not move under the favorable Regime I, but nevertheless can take advantage of developed social security systems in their host countries that may also provide legislation on the export of pensions. South-south migrants are in the most disadvantaged position with regard to access to all forms of social protection and portability arrangements. This also translates into different implications for policy makers on how to approach the issue of social protection for their migrants. While bilateral social security agreements can currently be seen as the best practice to enhance social protection for migrants from and to high-income countries, this might be insufficient in the case of developing countries that do not have very well developed social security systems.

The analysis shows various examples on how different regional blocks and countries deal with formal social protection and portability. For pensions, the system of bilateral agreements is quite well developed if countries meet certain preconditions regarding administrative capacity of social security institutions. Portability arrangements for health care, however, seem to be difficult to achieve, perhaps with the exception of the EU. There seems to be no ideal model yet for regional economic blocks of mainly low-income countries like SADC on how to enhance the formal social protection for their emigrants and immigrants. Thus, the above discussion leads to the conclusion that migration among developing countries needs to be looked at from an entirely different perspective. In fact, migration itself provides one of the main social protection instruments for these migrants and their families. The policy challenge is to make south-south migration safer for migrants in order to maximize benefits from this important livelihood strategy.

This is not to say, though, that formal social protection for south-south migrants is irrelevant. Yet, the priorities are different than in the case of south-north or north-north migration and one has to differentiate when looking into policy implications. Policy measures for developed countries primarily concern reforms of current defined benefit systems towards more actuarial structures, like notional DC-type systems. The goal would be to improve individual and fiscal fairness as well as the administrative burden associated with the coordination between social security authorities. More importantly, developed countries need to look into models on how to include health care benefits into bilateral arrangements, a task that is certainly challenging due to the complexity of health care systems.

For migrants within poorer regions, the way forward is of a different nature. Important priorities include the following:

**1. Improve the legal position of migrants.** Many south-south migrants seem to face serious restrictions to gain access to or enforce their basic rights, including social rights. In other words, migrants are either excluded from certain rights or lack the means to gain access to justice in cases when their rights are violated. This does not necessarily

translate into a call for migrants to be granted social rights like pension benefits, health benefits and the like, but a call to guarantee such basic rights as freedom from exploitation and getting paid proper wages in cash (as opposed to in-kind), getting paid wages on time, or safe workplace conditions. The access to such basic rights is essential to ensure that migrants receive a minimum benefit from their migration experience, and such rights should be granted independent of their legal status. The large number of undocumented migrants, though, aggravates this problem as their legal and social position is weak and many migrants easily fall victim to exploitation, in particular vulnerable groups like women and youth. In addition, it is often not sufficient to grant access to such basic rights, but also to legally empower migrants so they actually exercise their rights when they are exploited.<sup>56</sup>

The lack of access to such basic rights and the lack of legal empowerment to exercise such rights erode the benefits of migration for all parties and seriously undermine its development impact, including productive employment and decent work. It is also in the interest of native workers because without such provisions, employers have an incentive to favor more vulnerable and thus cheaper labor over native workers. In other words, discrimination against migrants in terms of basic rights also makes migrants cheaper for employers—at the expense of native workers. At the same time, it has to be acknowledged that improving the legal position of migrants and expanding their rights could also come at a price as the demand for migrant labor could decrease.

**2. Develop a migration policy framework.** Closely linked to the previous point is the importance to develop a comprehensive policy framework to better manage south-south migration. Given that south-south migration mainly seems to be of circular nature—as the research of Malawian migrants indicated—demand-driven migration programs might offer the best policy framework for migration. A circular migration scheme that would grant work permits to migrants to work in seasonal jobs and specific sectors for a limited time would be one way to go forward. These measures would lift many migrants into the status of legal migrants, which may make it easier for them to improve their livelihoods (at destination, in transit, and at origin) and to eventually improve their access to formal social protection.

In addition, any policies attempting to select and control the composition of migration flows are likely to fail. Both legal and undocumented migrants are likely to benefit from migration, so as long as there is adequate demand for migrants in domestic labor markets, undocumented migrants are likely to move. If policy makers seek to formalize migration, this reality has to be acknowledged. Therefore, any migration framework should include demand driven components that provide strong links between demand in domestic labor markets and supply of migrant labor. Control and management of migration via instruments such as point-based systems are unlikely to work in contexts such as South Africa or other middle-income host countries, where demand from the informal and unskilled labor market is met with a supply of undocumented migrants. A proper regional

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<sup>56</sup> For more information on issues related to access to justice and legal empowerment, visit the website of the World Bank's "Justice for the Poor" program at <http://go.worldbank.org/MHG1Y94BM0>.

migration framework that opens legal opportunities for temporary migration—including low-skilled migration—is most likely to have the greatest impact.<sup>57</sup>

**3. Ensure exportability and portability of those benefits that are legally also available to migrants, in particular workers compensation, severance payments, and benefits from provident funds.**

One opportunity to enhance the formal social protection for migrants in low-income regions would be to improve the exportability and portability of some of the few benefits that are available to formal migrant workers, like, for example, workers compensation benefits, severance payments, and payments from provident funds. These benefits are present in most low-income countries and migrants—legal and undocumented—frequently seem to make contributions to these benefits. Although most of these benefits are legally exportable—in the cases of severance payments, workers compensation, and payments from provident funds, benefits are simply paid out as a lump sum—the provisions on cross-border payments (exportability) seem to be poorly implemented, so that more often than not payouts from these benefits never reach migrants or their survivors in migrants' home countries. Hence, it is crucial to ensure the proper implementation of such provisions as a first step to improving formal social protection for migrants. Occupational schemes, on the other hand, also involve an accrual of periods of contribution over time, so that some form of portability would be desirable. Yet, even within such an integrated region as the EU the portability of occupational benefits is not very well developed, which highlights how challenging this would be for low-income regions.

**4. Ensure access to safe and affordable remittance channels and to the financial sector.** Many migrants are primarily concerned with the welfare of their families back home and remittances are the means by which families are supported, homes are built, basic needs are purchased, children are schooled and investments are made. Migrants, especially the undocumented ones, are often denied access to the banking system (be it a bank, a post office account or a financial intermediary), which is of crucial importance for all migrants who want to transfer remittances to their families in a safe and affordable manner. Fortunately, international money transfer organizations are now widely available and easily accessible, yet often at high prices.<sup>58</sup> Governments must think creatively about secure and efficient ways of encouraging and facilitating access to remitting services for all migrants. This would be an obvious advantage for the migrant and for the destination economy. It may likely have a longer-term spin off whereby migrants begin to save and open bank accounts also in their home country, gaining access to formal financing tools in the banking sector. Access to the financial markets is likely to greatly enhance the poverty alleviating effect that the study of Malawians found for migrants to South Africa, as migrants can make better use of their earnings and have safer ways to transfer them to their families.

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<sup>57</sup> A promising example of a regional migration framework is the recently launched Abu Dhabi Dialogue that aims at paving the way for the better management of temporary contractual labour mobility between the United Arab Emirates and its main sending countries in South Asia. See speech by Luca Dall'Oglio, Permanent Observer to the United Nations, at the 46<sup>th</sup> session of the commission for Social Development: <http://www.iom.int/jahia/Jahia/cache/offonce/pid/1336?entryId=16565> (accessed on 15<sup>th</sup> June, 2008).

<sup>58</sup> For a sample of fees for remitting money between countries, see, for example, the World Bank's "Remittance Prices Worldwide" database at <http://remittanceprices.worldbank.org/>.

**5. Expand research on labor market conditions in receiving countries.** A more general question to explore in the context of south-south migration is the question: why are middle-income countries like South Africa experiencing high immigration while simultaneously having a high unemployment rate among the native labor force—in the case of South Africa, about 40 percent. Such high unemployment should considerably lower wages and make migration less attractive, thus decreasing inflows. However, this does not seem to be the case in South Africa.

There are various possible explanations at hand to shed light onto this question. First, it could be that migrants may serve different labor market segments than natives and work in jobs that natives are unwilling to do even if unemployed. Anecdotal evidence and findings from this research indicate that this is likely to be the case. Second, the expected wages for migrants may still be high enough to compensate for long spells of unemployment, so that the expected net benefit of migration is still positive. This could be of particular importance for migrants coming from countries with very limited economic opportunities, such as low-income countries under stress and fragile states, like Zimbabwe.<sup>59</sup> Third, employers may prefer migrants because they are willing to accept lower wages and worse working condition than natives. In this case, the extent and appropriateness of labor market regulations, unemployment benefits, and social assistance programs of receiving countries have to be explored. Finally, from the results of the qualitative work on Malawians, there is evidence to believe that migrants may be perceived as more reliable than unskilled native workers, so that there is a discriminatory bias in labor demand in favor of migrants, at the expense of natives.

In conclusion, this research shows that in order to enhance social protection for migrants one has to differentiate between different migration flows: north-north, south-north, and south-south. Migration flows involving high-income countries require bilateral policy interventions to improve portability, while migration flows among low and middle-income countries require policy interventions to foster basic social rights for migrants and sensible migration policy frameworks. The latter aims to ensure that those people, the world's poor, who use migration as a vital social risk management strategy, fully benefit from their migration experience and therefore to enhance the beneficial effects of migration *as* social protection.

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<sup>59</sup> There are similar findings in the rural-urban migration context.



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### Summary Findings

This paper analyzes the issue of social protection for migrants by looking at formal and informal social protection provisions. In particular, it presents the latest global data on the social protection status on migrants, including undocumented migrants. The paper gives special attention to lower-income countries drawing upon recent studies from the Southern African Development Community (SADC). It finds that migrants in poorer countries have very limited access to formal social protection such as social security systems, and that the legal social protection frameworks are far from making benefits portable. Rather, migrants have to rely on informal social protection, and it is often migration itself that constitutes a form of social protection for migrants and their families. This means that making migration safer for low-income migrants is vital to allow migrants to fully benefit from their migration experience and to ultimately enhance their social protection.

**HUMAN DEVELOPMENT NETWORK**

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